



Title: I, Payroll/Personnel Manual

Chapter:

Bulletin: Title I, 05-2, 2005 Federal Pay Increase and Locality-Based Comparability Payment

Date: January 19, 2005

To: Holders of Title I Procedures
Personnel Users Groups
Agency Personnel Offices

This bulletin informs users (of the National Finance Center (NFC) Payroll/Personnel System) of the 2005 Federal pay increase and related processing instructions. This bulletin contains the following sections:

1. Federal Pay Increase
2. Locality Pay
3. Life Insurance Coverage
4. System-Generated Personnel Actions
5. Appointment Limitations
6. Additional Information
7. Inquiries

1. Federal Pay Increase

Executive Order Number 13368, dated December 30, 2004, authorizes a 2.5 percent across-the-board increase in the rates of basic pay, effective January 9, 2005, for employees paid under the General Schedule and Foreign Service Schedule statutory pay systems.

By law (5 U.S.C. 5318), the rates for levels I through V of the Executive Schedule (EX-I through EX-V) will increase by 2.5 percent (rounded to the nearest \$100).

Under 5 U.S.C. 5372, the President has also authorized an increase in the rates of basic pay for administrative law judges (ALJs) of 2.5 percent (rounded to the nearest \$100). The rate of basic pay for AL-1 will be \$140,300. The rate of basic pay for AL-2 will be \$136,600. The rates of basic pay for AL-3/A through AL-3/F will range from \$93,500 to \$129,300.

Pay rates for certain other employees are linked to the Executive Schedule. The rates of basic pay for Board of Contract Appeals (BCA) members are calculated as a percentage of the rate for level IV of Executive Schedule. (See 5 U.S.C. 5372a.) Therefore, BCA rates of basic pay will increase by approximately 2.5 percent.

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The increase in Federal pay and locality-based comparability payments for all eligible biweekly employees will be reflected in salary payments and earnings and leave statements for Pay Period 01 (January 9-22, 2005). The official payday for Pay Period 01 is February 3, 2005.

The following outlines the processing of the Federal pay increase:

■ **Federal Pay Increases Processed Automatically in Pay Period 01, 2005**

NFC will automatically process Federal pay increases for the following types of employees:

- Employees in Pay Plans AC, AL, CO, DN, EX, FC, FO, FP, FS, GG, GH, GM, GS, GT, IR, IS, LE, MK, MS, MX, NF, NX, NY, PA, PE, PG, PJ, PU, PY, TM, and TS
- Employees who are paid at administratively determined rates (i.e., employees in Pay Plan AD) in those agencies that have notified the Department of Agriculture to automatically process the pay increase
- Reemployed Annuitants. The system will automatically generate pay adjustments for all reemployed annuitants. For reemployed annuitants whose salaries are offset by annuities from the Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS) (Annuitant Indicator codes A, C, E, 1, 4, or 5), personnel offices must also prepare personnel actions when the Office of Personnel Management (OPM) authorizes a cost-of-living adjustment for CSRS and FERS retirement annuities. The increased amount of the employee's annuity must be recorded in the Annuitant Share Amount field. For completion instructions and additional information for the Annuitant Share Amount field, see Title I, Payroll/Personnel Manual, Chapter 23, Entry, Processing, Inquiry, and Correction System (EPIC).

■ **Federal Pay Increases Not Processed Automatically in Pay Period 01, 2005**

NFC will not automatically process Federal pay increases for the following types of employees:

- Employees in Pay Plans ES and FE (Senior Executive Service)
- Experts and consultants (i.e., employees in Pay Plans CG, EC, ED, EE, EF, EG, EH, EI, and IC)
- Employees paid at statutory rates (i.e., employees in Pay Plan SR)
- Employees in Pay Plans AD, AE, CP, DB, FA, FN, HA, IE, IJ, IL, LP, NB, OC, OF, PD, PL, PQ, PZ, RA, RE, RG, RS, RW, SB, SL, SR, SS, ST, TF, TR, UT, VG, VH, YV, YW, ZA, ZS, ZT, and ZZ with the exception of employees in those agencies that have notified NFC to automatically process the pay increase (The pay adjustments for Pay Plans IL, SL, and ST are made at the discretion of the department/agency.)

- Employees who are being paid under Pay Rate Determinant Code 2, 3, 4, M, or S
- Employees in Pay Plans GS and GM who are being paid under cooperative agreements and for whom the Federal Government does not pay all the salary (The cooperator pays a portion of the salary.)
- Employees in Pay Plans GG and GH who are being paid under cooperative agreements

Note: Employees who are Americorps members (Special Employment Programs Code V8) are not eligible to receive the 2.5 percent Federal pay increase.

Listings of employees in the “not processed automatically” categories are available upon agency request. If you would like a copy of the listing for your employees, please contact your Agency’s NFC Customer Service Representative at **504-255-5230** or your Agriculture Payroll/Personnel User Group (AGPUG) or Committee for Agriculture Payroll/Personnel Systems (CAPPS) representative.

■ **Data Required for a Salary Change Personnel Action**

In addition to the standard items required for a salary change, the personnel action must include the following:

- The 2005 scheduled salary rate (Do not include the locality-based comparability payment. The Payroll/Personnel System will automatically increase the salary amount for employees who are entitled to receive locality pay.)
- The effective date of the new rate (i.e., January 9, 2005)
- Nature of Action Code 894, QWM/ZLM, Reg. 531.205, and Executive Order Number 13368 for General Schedule employees (e.g., GS, GM, etc.)
- Nature of Action Code 894, ZLM, Reg. 534.504, and Executive Order Number 13368 for Pay Plans SL and ST
- Nature of Action Code 894, ZLM, and the authority cited by the agency for Pay Plan AD

Note: Those agencies with special authorities must use the authority cited by the agency. For detailed instructions, refer to OPM’s Guide to Processing Personnel Actions, Chapter 17.

- The authentication date, which is the same date the Executive Order for the Federal pay increase was signed (i.e., December 30, 2004)

2. Locality Pay

The locality rate of pay for GS employees may not exceed the rate payable for Level IV of the Executive Schedule (\$140,300 in 2005). As a result of the increase in locality

percentages in 2005, the locality rates for GS-15/09 and GS-15/10 in the Houston and San Francisco locality areas and the locality rates for GS-15/10 in the Los Angeles and New York locality areas would otherwise exceed the Level IV rate. Therefore, the GS-15/09 and GS-15/10 rates in the Houston and San Francisco locality areas and the GS-15/10 rates in the Los Angeles and New York locality areas are limited to \$140,300 for 2005.

The Federal Employees Pay Comparability Act of 1990 (FEPCA) (Public Law 101-509) provides for comparability payments within each locality that is determined to have a pay disparity of greater than 5 percent with non-Federal workers.

The President's Pay Agent has extended the 2005 locality-based comparability payments to the same Governmentwide and single-agency categories that were authorized to receive the 2004 locality-based comparability payments.

Changes to locality pay are outlined below:

- **Locality Pay Areas**

A total of 32 areas have been established as pay localities for 2005. The boundaries of most locality pay areas have been expanded, effective January 9, 2005, to reflect the new definitions of Metropolitan Statistical Areas (MSAs) established by the Office of Management and Budget and the application of new criteria for evaluating counties adjacent to locality pay areas for inclusion in the pay area. The percentage factor is based on the geographic location of the employee's official duty station. The areas designated as locality pay areas for 2005, along with the corresponding percentage factor for each area, are as shown in Attachment 1.

Note: Information about the geographic scope of each locality pay area is in the Federal Register document entitled General Schedule Locality Pay Areas (dated December 17, 2004), which can be found on OPM's Web site at <http://opm.gov/cfr/fedregis/>.

Effective with the processing of Pay Period 01, personnel actions involving a salary change or adjustment (such as a promotion or within grade increase (WGI)) that are submitted for employees whose official duty station is in a locality pay area must reflect the 2005 scheduled salary rate, which **does not** include the locality-based comparability payment. The Payroll/Personnel System will automatically increase the salary amount for employees who are entitled to receive locality pay.

Locality payments will be paid as part of the employee's biweekly salary and will be used in determining the calculations for retirement annuity and contributions to the Thrift Savings Plan (TSP), life insurance, overtime, and other premium pay. For most employees, the amount of locality pay will be determined by multiplying the employee's scheduled annual rate of pay by the percentage factor authorized for the locality pay area.

- **Employees Ineligible To Receive Locality-Based Comparability Payments**

The following group of GS employees will not receive locality-based comparability payments because they are already receiving pay rates that exceed locality pay:

- Employees entitled to special salary rates whose scheduled salaries exceed the locality pay for their pay areas

3. Life Insurance Coverage

If there is an increase in the regular life insurance coverage as a result of the pay increase, the related increase in life insurance deductions will be effective at the same time.

4. System-Generated Personnel Actions

OPM does not require a separate personnel action for those employees who receive a locality payment along with the Federal pay increase authorized under 5 U.S.C. 5303. Therefore, NFC will automatically generate one personnel action for the Federal pay increase and locality-based comparability payment. In addition to the standard items required for a salary change, the personnel action will include:

- The effective date of the new rate (i.e., January 9, 2005)
- Nature of Action Code 894, QWM/ZLM, Reg. 531.205, and Executive Order Number 13368 for General Schedule employees (e.g., GS, GM, etc.)
- Nature of Action Code 894, ZLM, Reg. 534.504, and Executive Order Number 13368 (for Pay Plans SL and ST)
- Nature of Action Code 894, ZLM, and the authority cited by the agency for Pay Plan AD
- The authentication date, which is the same date the Executive Order for the Federal pay increase was signed (i.e., December 30, 2004)

5. Appointment Limitations

Beginning in Pay Period 01, personnel actions that furnish initial or replenished monetary appointment limitation amounts should reflect the increase provided by the Executive Order. Agencies must enter personnel actions for these employees.

6. Additional Information

The following is provided to assist you in processing personnel actions in Pay Period 01:

- **Personnel Edit Subsystem (PINE) Edit Messages**

To avoid a system-generated rollback, agencies should ensure that all personnel actions with effective dates prior to Pay Period 01, January 9, 2005, are entered before the processing of PINE pass 1 (January 17, 2005). All actions entered by January 14, 2005, will be processed in pass 1 of Pay Period 01, including the

system-generated change in service computation date (SCD) and the Federal pay increase/locality-based comparability payment.

Any rollback action will result in the rollback of all personnel actions (agency-initiated or system-generated) that have applied in the current pay period, including the system-generated change in SCD and the Federal pay increase/locality-based comparability payment.

These actions are then placed in suspense (i.e., in SINQ or EPIC suspense) and will appear on the Listing of Personnel Error Messages with Override Code F with the edit message *In SINQ Due To Rollback-Take Appropriate Action*. The document(s) will remain in suspense until action is taken.

The system will produce Document Type 999 informational edit messages on the Listing of Personnel Error Messages in Pay Period 01 to identify employees who did not receive an automatic pay raise (e.g., GM employees whose salaries are less than the minimum salary range for the step).

The first pass of PINE for Pay Period 01 will begin executing on the night of January 17, 2005. Due to the large volume of personnel and payroll documents effective during Pay Period 01, it is anticipated that pass 1 will continue to execute through January 18, 2005. Consult the NFC Electronic Access Bulletin Board on the NFC Mainframe for updates on the processing of the pay raise actions and system availability.

■ **History Correction Update Processing System (HCUP)**

If a HCUP package is processed during Pay Period 01, 2005, the system-generated actions (e.g., the change in SCD and the Federal pay increase/locality-based comparability payment) will become part of the HCUP package. Special measures should be taken to ensure that these system-generated actions are reapplied during Pay Period 01 regardless of whether the HCUP package is subsequently deleted.

7. Inquiries

This bulletin supersedes Bulletin 04-2, 2004 Federal Pay Increase and Locality-Based Comparability Payment, dated January 16, 2004. For questions about policy/regulations, contact your AGPUG representative or CAPPS representative. For questions about NFC processing, contact the Payroll Operations Branch at **504-255-4630**.



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Attachment

Locality Pay Areas for 2005

Locality Pay Area	Percentage Factor
Atlanta-Sandy Springs-Gainesville, GA-AL Combined Statistical Area (CSA)	13.87%
Boston-Worcester-Manchester, MA-NH-ME-RI CSA	18.49%
Chicago-Naperville-Michigan City, IL-IN-WI CSA	19.70%
Cincinnati-Middletown-Williamington, OH-KY-IN CSA	16.04%
Cleveland-Akron-Elyria, OH CSA	14.24%
Columbus-Marion-Chillicothe, OH CSA	13.98%
Dallas-Fort Worth, TX CSA	15.07%
Dayton-Springfield-Greenville, OH CSA	12.86%
Denver-Aurora-Boulder, CO CSA	18.06%
Detroit-Warren-Flint, MI CSA	19.67%
Hartford-West Hartford-Willimantic, CT-MA CSA	19.52%
Houston-Baytown-Huntsville, TX CSA	24.77%
Huntsville-Decatur, AL CSA	12.42%
Indianapolis-Anderson-Columbus, IN CSA	12.01%
Kansas City-Overland Park-Kansas City, MO-KS CSA	12.36%
Los Angeles-Long Beach-Riverside, CA CSA	21.65%
Miami-Fort Lauderdale-Miami Beach, FL MSA	16.77%
Milwaukee-Racine-Waukesha, WI CSA	13.62%
Minneapolis-St. Paul-St. Cloud, MN-WI CSA	15.99%
New York-Newark-Bridgeport, NY-NJ-CT-PA CSA	20.99%
Orlando-The Villages, FL CSA	11.75%
Philadelphia-Camden-Vineland, PA-NJ-DE-MD CSA	16.67%
Pittsburgh-New Castle, PA CSA	12.86%
Portland-Vancouver-Beaverton, OR-WA MSA	15.93%
Richmond, VA MSA	13.15%
Sacramento-Arden Arcade-Truckee, CA-NV CSA	16.51%
St. Louis-St. Charles-Farmington, MO-IL CSA	12.09%
San Diego-Carlsbad-San Marcos, CA MSA	17.68%
San Jose-San Francisco-Oakland, CA CSA	26.39%

Locality Pay Areas for 2005 *(continued)*

Locality Pay Area	Percentage Factor
Seattle-Tacoma-Olympia, WA CSA	16.53%
Washington-Baltimore-Northern Virginia, DC-MD-PA-VA-WV CSA	15.98%
Rest of U.S. (RUS) - portions of the United States not located within another pay locality area	11.72%